

# **LSU**

## **FOUNDATION**

### **Consolidated Financial Statements**

**June 30, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 17 2012**



**Postlethwaite  
& Netterville**

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**LSU FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
LSU Foundation  
Baton Rouge, Louisiana

We have audited the accompanying consolidated statements of financial position of the LSU Foundation, the LSU Property Foundation, and the LSU Marine Property Foundation (collectively, the "Foundation") as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the LSU Foundation, the LSU Property Foundation, and the LSU Marine Property Foundation as of June 30, 2012 and 2011, and the results of their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Postlethwaite: Netterville*

Baton Rouge, Louisiana  
October 5, 2012

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 14,587,063	\$ 4,254,871
Restricted cash	1,467,979	16,113,723
Investments	6,539,458	14,407,513
Accrued interest receivable	755,843	930,857
Accounts receivable, net	216,159	592,088
Unconditional promises to give, net	5,164,745	8,358,437
Other current assets	117,697	73,562
Total current assets	<u>28,848,944</u>	<u>44,731,051</u>
 <b><u>NONCURRENT ASSETS</u></b>		
Restricted assets:		
Investments	458,693,616	440,056,689
Investments - split-interest agreements	3,836,544	2,972,668
Assets held in split-interest agreements	467,571	554,571
Beneficial interest in split-interest agreements	23,566	21,895
Investment in partnership	17,631,068	18,141,732
Unconditional promises to give, net	10,488,518	15,547,143
Property and equipment, net	12,222,684	15,033,081
Other noncurrent assets	771,807	994,556
Total noncurrent assets	<u>504,135,374</u>	<u>493,322,335</u>
 <b>Total Assets</b>	 <u><u>\$ 532,984,318</u></u>	 <u><u>\$ 538,053,386</u></u>

The accompanying notes are an integral part of these financial statements.

## LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued liabilities	\$ 2,947,048	\$ 2,964,740
Current portion of amounts held in custody for others	16,121,746	12,525,743
Compensated absences and other payroll liabilities payable	286,198	286,523
Current portion of bonds payable	628,395	675,000
Current portion of notes payable	644,583	1,380,067
Line of credit	-	9,967,414
Other current liabilities	19,906	251,859
Total current liabilities	<u>20,647,876</u>	<u>28,051,346</u>
<b><u>NONCURRENT LIABILITIES</u></b>		
Amounts held in custody for others	91,856,417	90,454,883
Refundable advances	63,300	63,300
Notes payable, net of current portion	6,678,542	733,333
Bonds payable, net of current portion	5,596,605	6,225,000
Total noncurrent liabilities	<u>104,194,864</u>	<u>97,476,516</u>
Total liabilities	<u>124,842,740</u>	<u>125,527,862</u>
<b><u>NET ASSETS</u></b>		
Unrestricted:		
Unrestricted - general	5,284,662	1,053,787
Board designated endowments	12,518,150	12,685,505
Net assets relating to partnership investment	17,631,068	18,141,732
Temporarily restricted	165,125,146	182,485,753
Permanently restricted	207,582,552	198,158,747
Total net assets	<u>408,141,578</u>	<u>412,525,524</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 532,984,318</u></u>	<u><u>\$ 538,053,386</u></u>

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Contributions	\$ 2,948,305	\$ 1,912,085
Service fees	1,048,707	1,024,322
Earnings allocation	5,014,229	4,878,034
Loss on disposition of assets	(541)	(72)
Total unrestricted revenues	<u>9,010,700</u>	<u>7,814,369</u>
Net assets released from donor restrictions	<u>25,602,143</u>	<u>28,884,831</u>
Total unrestricted revenues and other support	<u>34,612,843</u>	<u>36,699,200</u>
Expenses:		
Amounts paid to benefit Louisiana State University for:		
Projects specified by donors	22,399,911	25,188,227
Projects specified by the Board of Directors	1,541,002	1,456,180
Total program expenses	<u>23,940,913</u>	<u>26,644,407</u>
Supporting services:		
Salaries and benefits	5,290,003	5,877,623
Occupancy	167,361	166,494
Office operations	795,414	1,109,608
Travel	81,697	71,070
Professional services	464,448	569,449
Dues and subscriptions	78,077	76,569
Meetings and development	230,078	419,347
Depreciation	11,996	30,057
Total supporting services	<u>7,119,074</u>	<u>8,320,217</u>
Total expenses	<u>31,059,987</u>	<u>34,964,624</u>
Change in unrestricted net assets	<u>\$ 3,552,856</u>	<u>\$ 1,734,576</u>

The accompanying notes are an integral part of these financial statements.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Changes in temporarily restricted net assets:		
Contributions	\$ 12,784,596	\$ 18,400,990
Earnings allocation	(4,767,732)	49,817,911
Changes in value of split-interest agreements	(3,448)	(117,408)
Loss on the disposition of assets	326	(66,468)
Total temporarily restricted revenues	<u>8,013,742</u>	<u>68,035,025</u>
Net assets released from donor restrictions	<u>(25,374,349)</u>	<u>(27,192,319)</u>
Change in temporarily restricted net assets	<u>(17,360,607)</u>	<u>40,842,706</u>
Changes in permanently restricted net assets:		
Contributions	9,659,439	10,404,613
Earnings allocation	-	68,943
Loss on the disposition of assets	(7,840)	-
Total permanently restricted revenues	<u>9,651,599</u>	<u>10,473,556</u>
Net assets released from donor restrictions	<u>(227,794)</u>	<u>(1,692,512)</u>
Change in permanently restricted net assets	<u>9,423,805</u>	<u>8,781,044</u>
Change in net assets	(4,383,946)	51,358,326
Net assets - beginning of year	<u>412,525,524</u>	<u>361,167,198</u>
Net assets - end of year	<u>\$ 408,141,578</u>	<u>\$ 412,525,524</u>

The accompanying notes are an integral part of these financial statements.



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Contributions received	\$ 24,101,341	\$ 25,213,413
Service fees received	1,048,707	1,024,322
Interest and dividends received	7,068,005	12,190,063
Grants paid to benefit Louisiana State University	(23,340,288)	(22,028,393)
Cash paid for supporting services	(6,986,717)	(7,570,495)
Interest expense	(509,978)	(296,701)
Net cash provided by operating activities	<u>1,381,070</u>	<u>8,532,209</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(1,189,929)	(3,123,574)
Proceeds from sales of property and equipment	3,677,948	68,500
Purchases of investments	(191,464,772)	(219,191,697)
Proceeds from sales and maturities of investments	177,793,974	202,910,880
Net increase in funds held in custody and refundable advances	<u>1,489,201</u>	<u>4,811,429</u>
Net cash used in investing activities	<u>(9,693,578)</u>	<u>(14,524,462)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Contributions restricted for endowment purposes	9,431,645	8,712,101
Proceeds from the issuance of a note payable	7,742,414	-
Principal payments on note payable	(2,532,689)	(280,967)
Payments on line of credit	(9,967,414)	-
Principal payments on bonds payable	(675,000)	(625,000)
Investment gains (losses) restricted for endowment purposes	<u>-</u>	<u>68,943</u>
Net cash provided by financing activities	<u>3,998,956</u>	<u>7,875,077</u>
Net change in cash and cash equivalents	(4,313,552)	1,882,824
Cash and cash equivalents - beginning of the year	<u>20,368,594</u>	<u>18,485,770</u>
Cash and cash equivalents - end of the year	<u>\$ 16,055,042</u>	<u>\$ 20,368,594</u>

The accompanying notes are an integral part of these statements.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET**  
**CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2012</u>	<u>2011</u>
Change in net assets	\$ (4,383,946)	\$ 51,358,326
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,283	47,452
Amortization of bond issuance costs	8,800	8,800
Amortization of discounts on unconditional promises to give	(1,295,446)	(1,590,764)
Loss on disposals of property and equipment	8,055	66,540
Unrealized loss (gain) on investments	23,589,043	(41,219,284)
Loss on investment in partnership	510,664	564,668
Net gain on investment transactions	(17,972,515)	(1,407,343)
Investment gain attributable to endowment investments	-	(68,943)
Receipt of non-cash donations	(110,000)	(117,787)
Transfer of non-cash assets to Louisiana State University	403,097	4,649,250
Contributions restricted for endowment purposes	(9,431,645)	(8,712,101)
Decrease in accrued interest receivable	175,014	181,460
(Increase) decrease in accounts receivable	375,929	(488,460)
Decrease in unconditional promises to give	9,547,764	4,921,327
Increase in beneficial interest in split-interest agreements	(1,671)	(4,950)
(Increase) decrease in other assets	178,614	(124,797)
Increase (decrease) in accounts payable and other liabilities	(249,970)	468,815
Net cash provided by operating activities	<u>\$ 1,381,070</u>	<u>\$ 8,532,209</u>

The accompanying notes are an integral part of these statements.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies and Presentations**

**Organization and purpose**

The LSU Foundation (the "Foundation") is a non-profit organization which was organized to promote the educational and cultural welfare of the Louisiana State University System Office, the Louisiana State University and Agricultural and Mechanical College, the Louisiana State University Agricultural Center, and the Paul M. Hebert Law Center, herein collectively referred to as "the University", by accepting contributions for the purpose of scholarships, academic support, research support, and other designated projects for the benefit of the University.

**Consolidation**

The Foundation elects all of the members of the LSU Property Foundation's board of directors and, therefore, is considered to have a majority voting interest in the LSU Property Foundation's board. The LSU Property Foundation is the sole member of the LSU Marine Property Foundation, the LSU Museum, LLC, the Stephenson Disaster Management Institute Films, LLC, the LSUPF Gym and Performing Arts, LLC, the PERTT Lab, LLC, the Hilltop Facility, LLC, and the Equine Lameness Unit, LLC. As such, the consolidated financial statements of the Foundation include the accounts of the LSU Property Foundation and its subsidiaries and the LSU Marine Property Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Basis of accounting**

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, all significant receivables, payables, and other liabilities are recorded.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash equivalents**

The Foundation considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents.

The Foundation, at times, may have deposits in excess of FDIC insured limits. Management, however, believes the credit risk associated with these deposits is minimal.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies and Presentations (continued)**

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Investments in non-exchange traded debt and equity instruments are valued using independent pricing services or by broker/dealers who actively make markets in these securities. Investments managed by external advisors include investments in limited partnerships and commingled funds. The majority of these external investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to assessments that the information is representative of fair value and in consideration of any additional factors deemed pertinent to the fair value measurement. In situations where the information provided by the external advisor is deemed to not be representative of fair value as of the measurement date, management will evaluate specific features of the investment and utilize supplemental fair value information provided by the external advisor along with any relevant market data to measure the investment's fair value. Fair value is based on a combination of information obtained from independent appraisals and/or one or more industry standard valuation techniques (e.g., income approach, market approach or cost approach). The income approach is primarily based on the investment's anticipated future income using one of two principal methods, the discounted cash flow method or the capitalization method. Inputs and estimates developed and utilized in the income approach may be subjective and require judgment regarding significant matters such as estimating the amount and timing of future cash flows and the selection of discount and capitalization rates that appropriately reflect market and credit risks. The market approach derives investment value through comparison to recent and relevant market transactions with similar investment characteristics. The cost approach is utilized when the cost or the replacement cost amounts are determined to be the best representation of fair value. This method is typically used for newly purchased or undeveloped assets. These values are determined under the direction of, and subject to review by, the Foundation's management.

Dividend, interest, and other investment income is recorded as an increase in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor stipulations.

Donated investments are recorded at their fair value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized gains and losses are recognized in the Foundation's current operations.

**Fair values of financial instruments**

The Foundation's financial instruments, excluding investments which are described in Note 2 and split-interest agreements which are recorded at estimated fair value, include cash and cash equivalents, bonds payable, and unconditional promises to give. The Foundation estimates that the fair values of all these financial instruments at June 30, 2012 and 2011 do not differ materially from the aggregate carrying values of these financial instruments recorded in the accompanying statements of financial position.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies and Presentations (continued)**

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Promises to give**

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectability.

**Property and equipment**

Purchased property and equipment are recorded at cost. Property and equipment donated to the Foundation are recorded at their fair values at the date of donation which is then treated as cost. Depreciation is provided over the estimated useful lives of exhaustible assets on a straight-line basis. Inexhaustible assets, such as artwork and collections, are not depreciated. These inexhaustible assets are evaluated for impairment.

**Split-interest agreements**

The Foundation is the beneficiary of various charitable gift annuities. Charitable gift annuities are arrangements between a donor and an organization in which the donor contributes assets to the organization in exchange for a promise by the organization to pay a fixed amount for a specified period of time to the donor or other parties designated by the donor. The assets received are recorded at fair value and reported as investments - split-interest agreements on the statements of financial position. When the annuity is initially executed, the difference between the fair value of assets received and the present value of the annuity payment liability is reported as contribution revenue in the statements of activities. On an annual basis, the annuity payment liability is revalued using present value techniques and actuarial assumptions, including applicable mortality tables. Changes in the present value of the annuity payment liability are reported in the statements of activities as a change in the value of split-interest agreements. The present value of the liability is included in the statements of financial position as funds held in custody.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies and Presentations (continued)**

**Funds held in custody**

The Foundation considers all state matching funds and unexpended income from these funds to be funds held in custody. Additionally, amounts held for other LSU System affiliated foundations and liabilities associated with charitable gift annuities and charitable remainder trusts are also reported as funds held in custody. All funds held in custody are recorded in the statements of financial position at their fair market values.

**Accrued vacation leave**

The Foundation records a liability for accrued and unused vacation of its employees. The balances in accrued and unused vacation totaled \$263,444 and \$241,227 at June 30, 2012 and 2011, respectively.

**Income taxes**

The LSU Foundation, the LSU Property Foundation, and the LSU Marine Property Foundation operate as public charities under Section 501(c)(3) of the Internal Revenue Code and, accordingly, are exempt from federal and state income taxes and the excise tax which applies to certain foundations.

The Foundation accounts for income taxes in accordance with income tax accounting guidance included in the Accounting Standards Codification (ASC). The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than fifty percent likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Foundation is no longer subject to examinations by tax authorities for years before June 30, 2009.

**Non-monetary transactions**

During the fiscal year ended June 30, 2011, the University provided data processing and similar services for the Foundation. In exchange for these services, the Foundation funded the purchase of a significant amount of supplies and equipment for use by the University in its normal operations. Both the University and the Foundation consider the values received to be commensurate with the values provided for the other party.

**Reclassification**

Certain reclassifications have been made to the financial statements and footnotes as of and for the year ended June 30, 2011, in order for them to conform to the current year presentation.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2. Investments**

Investments in debt and equity securities with readily determinable fair values are stated at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further discussion of fair value measurements.

The Foundation segregates its investments into four separate pools based on donor imposed restrictions and internal designations and has established separate investment strategies for these pools. Investment earnings are allocated to unrestricted, temporarily restricted and permanently restricted net assets based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds. The Foundation employs a unitized method of accounting for pooled endowed investments. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit values. Monthly unit values reflect changes in the fair value of investments within the investment pool. A spending allocation approved by the Board of Directors is made each year to the funds on a per unit basis.

The asset allocation of the Foundation's portfolio involves exposure to a diverse set of markets which involve various risks such as interest rate risk, market risk, and credit risk. The Foundation believes that the value of its investments may, from time to time, fluctuate substantially as a result of these risks. The Foundation has also entered into agreements with private equity and real estate partnerships. See Note 16 for cash commitments relating to these investments.

Investments were comprised of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Certificate of deposit	\$ 395,000	\$ 395,000
Short-term investment fund	436,839	496,730
Government agency obligations	53,293,035	38,879,374
Corporate obligations	40,656,952	27,578,373
Common stocks	2,831,791	3,052,314
Mutual funds	219,755,917	198,572,955
Commingled funds	74,386,642	109,965,717
Hedge funds	56,031,443	47,045,976
Municipal bonds	-	12,401,858
Private equity	21,046,834	18,733,558
Pooled income funds	33,023	112,873
Land	48,058	48,058
Royalty interests	154,084	154,084
	<u>\$ 469,069,618</u>	<u>\$ 457,436,870</u>

The certificate of deposit is currently pledged as collateral for a loan held by a donor-related party. The donor of the certificate stipulated that it remain as collateral for the loan until the indebtedness was paid in full. The loan is scheduled to mature in November of 2020. The certificate of deposit, therefore, remains pledged as of June 30, 2012.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**2. Investments (continued)**

Investment earnings (losses), net of fees, were comprised of the following for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 6,373,689	\$ 4,222,166
Realized gain on investment transactions	17,972,515	9,888,106
Unrealized gain (loss) on investments	(23,589,043)	41,219,284
Unrealized loss on investment in Shaw Center for the Arts, LLC	(510,664)	(564,668)
	<u>\$ 246,497</u>	<u>\$ 54,764,888</u>

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below corpus. Deficiencies of this nature that are reported in temporarily restricted net assets were \$238,856 and \$231,835 as of June 30, 2012 and June 30, 2011 respectively. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to corpus will be classified as an increase in temporarily restricted net assets.

**3. Fair Values of Financial Instruments**

In accordance with the Fair Value Measurements and Disclosure topic of FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position, is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments; therefore, the aggregate fair value amounts presented do not necessarily represent the underlying value of the Foundation.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Fair Values of Financial Instruments (continued)**

**Fair Value Hierarchy**

The ASC topic on Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation utilizes several externally managed funds for private equity, venture capital, and hedge funds, and with these types of investments, quoted prices are often unavailable, and pricing inputs are generally unobservable. Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. In certain instances, several valuation techniques are utilized by external managers (e.g. the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. In circumstances in which net asset value per share of an investment is not determinative of fair value, the manager is permitted, as a practical expedient, to estimate the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment, if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for Investment Companies as of the reporting entity's measurement date. The application of those valuation procedures and methodologies are borne out in each manager's compliant annual audited financial statements and were monitored through the Foundation's reporting period ended June 30, 2012.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Fair Values of Financial Instruments (continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ 395,000	\$ -	\$ -
Short-term investment fund	-	436,839	-
Government agency obligations	-	53,293,035	-
Corporate obligations	-	40,656,952	-
Common stocks	2,811,791	-	-
Mutual funds:			
Domestic large cap equity	47,795,018	-	-
Domestic mid cap equity	8,740,216	-	-
Domestic small cap equity	24,692,699	-	-
Dev. foreign large cap equity	38,527,896	-	-
Dev. foreign small cap equity	19,201,182	-	-
Emerging market equity	28,905,111	-	-
Commodities and natural resources	18,636,640	-	-
Global real estate	18,055,255	-	-
Inflation protection	15,201,900	-	-
Commingled funds:			
Core plus fixed income	-	-	74,386,642
Hedge funds	-	-	56,031,443
Private equity:			
Venture capital	-	-	3,887,643
Mezzanine / distressed debt	-	-	2,278,789
Other private equity	-	-	14,540,402
Commodities and natural resources	-	-	340,000
Pooled income fund	33,023	-	-
Trust funds held by agent	467,571	-	-
Beneficial interest in split-interest agreements	-	-	23,566
	<u>\$ 223,463,302</u>	<u>\$ 94,386,826</u>	<u>\$ 151,488,485</u>

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Fair Values of Financial Instruments (continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ 395,000	\$ -	\$ -
Short-term investment fund	-	496,730	-
Government agency obligations	-	38,879,374	-
Municipal Bonds	-	12,401,858	-
Corporate obligations	-	27,578,373	-
Common stocks	3,032,314	-	-
Mutual funds:			
Domestic large cap equity	72,465,438	-	-
Domestic mid cap equity	12,836,492	-	-
Domestic small cap equity	24,064,745	-	-
Dev. foreign large cap equity	37,146,511	-	-
Dev. foreign small cap equity	17,940,045	-	-
Domestic real estate	4,506,738	-	-
Global real estate	16,834,065	-	-
Inflation protection	12,778,920	-	-
Commingled funds:			
Core plus fixed income	-	-	90,363,692
Emerging market equity	-	-	19,602,025
Hedge funds	-	-	47,045,976
Private equity:			
Venture capital	-	-	3,314,879
Mezzanine / distressed debt	-	-	1,522,500
Other private equity	-	-	13,896,179
Preferred stock	-	-	-
Pooled income fund	112,873	-	-
Trust funds held by agent	554,571	-	-
Beneficial interest in split-interest agreements	-	-	21,895
	<u>\$ 202,667,712</u>	<u>\$ 79,356,335</u>	<u>\$ 175,767,146</u>

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. Fair Values of Financial Instruments (continued)**

The following table presents the changes in fair value in Level 3 instruments that are measured at fair value on a recurring basis for the years ended June 30, 2012 and 2011:

	Commingled Funds	Hedge Funds	Private Equity	Other	Total
Balance - June 30, 2010	\$ 18,045,025	\$ 57,435,714	\$ 13,293,618	\$ 16,945	\$ 88,791,302
Net purchases and sales	90,975,030	(14,013,917)	3,210,191	-	80,171,304
Unrealized gains (losses)	1,158,656	(545,654)	148,337	4,950	766,289
Realized gains (losses)	(212,994)	4,169,833	2,081,412	-	6,038,251
Balance - June 30, 2011	109,965,717	47,045,976	18,733,558	21,895	175,767,146
Purchases	1,750,000	10,010,305	3,016,675	-	14,776,980
Sales	(41,335,468)	(46)	(1,871,280)	-	(43,206,794)
Unrealized gains (losses)	(4,436,594)	(1,024,792)	307,921	1,671	(5,151,794)
Realized gains	8,442,987	-	859,960	-	9,302,947
Transfers into Level 3	-	-	-	-	-
Balance - June 30, 2012	<u>\$ 74,386,642</u>	<u>\$ 56,031,443</u>	<u>\$ 21,046,834</u>	<u>\$ 23,566</u>	<u>\$151,488,485</u>

The realized and unrealized gains or losses recorded during the years ended June 30, 2012 and 2011 are included in the statement of activities as earnings allocation within unrestricted or temporarily restricted net assets based on donor restrictions for certain permanently endowed funds and based on policies approved by the Board of Directors for certain non-endowed funds.

**Fair Value of Assets Measured on a Nonrecurring Basis**

Certain assets are measured at fair value on a nonrecurring basis and therefore are not included in the tables above.

**4. Unconditional Promises to Give**

Unconditional promises to give at June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Promises to give expected to be collected in:		
Less than one year	\$ 5,240,495	\$ 9,198,064
One to five years	12,127,225	17,699,120
More than five years	<u>120,670</u>	<u>138,970</u>
	17,488,390	27,036,154
Less discount on promises to give	( 1,759,377)	( 2,290,947)
Less allowance for uncollectible accounts	( 75,750)	( 839,627)
Net unconditional promises to give	<u>\$ 15,653,263</u>	<u>\$ 23,905,580</u>

The discount rate used in discounting unconditional promises to give was 0.57% and 1.18% as of June 30, 2012 and 2011, respectively.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**5. Split-Interest Agreements**

The Foundation serves as trustee for several charitable remainder trusts for which the Foundation is not the irrevocable beneficiary. The funds are held and administered by a third-party financial institution as an agent of the Foundation. The fair value of the funds held is reported as an asset and corresponding liability in the statements of financial position. As of June 30, 2012 and 2011, the fair value of both the asset and corresponding liability of these charitable remainder trusts totaled \$467,571 and \$554,571, respectively.

The Foundation is the irrevocable beneficiary of two split-interest agreements for which the funds are held and administered by third parties. The Foundation's interest in the funds held by the third parties is measured at its present value and reported as an asset in the statements of financial position as beneficial interest in split-interest agreements. As of June 30, 2012 and 2011, the fair value of the beneficial interests totaled \$23,566 and \$21,895, respectively.

The Foundation has several charitable gift annuity arrangements with donors in which the Foundation has received assets from a donor in exchange for the Foundation's promise to pay the donor or his or her designee a fixed amount over a specified period of time. The assets are held as investments of the Foundation and are reported as investments-split-interest agreements on the statements of financial position at their fair values of \$3,836,544 and \$2,972,668 as of June 30, 2012 and 2011, respectively. The present value of the amount due to these donors or their designees as of June 30, 2012 and June 30, 2011 totaled \$2,118,367 and \$1,688,871, respectively.

**6. Property and Equipment**

Property and equipment consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Computers	\$ 1,151,254	\$ 1,151,254
Furniture and equipment	327,424	328,498
Livestock	<u>120,000</u>	<u>120,000</u>
	1,598,678	1,599,752
Less: accumulated depreciation	<u>( 1,514,334)</u>	<u>( 1,486,125)</u>
	84,344	113,627
Construction in progress	907,919	105,387
Land	6,922,558	10,550,505
Artwork and other non-depreciable assets	<u>4,307,863</u>	<u>4,263,562</u>
	<u>\$ 12,222,684</u>	<u>\$ 15,033,081</u>

For the years ended June 30, 2012 and 2011, depreciation expense of \$17,287 and \$17,395, respectively were included in projects specified by the Board of Directors in the consolidated statement of activities for those assets which are not considered unrestricted by the Foundation.

On August 26, 2011, and November 15, 2011, the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College purchased land for the benefit of Louisiana State University from the LSU Property Foundation for \$2,225,000 and \$1,350,023, respectively. The proceeds from these sales were used to make principal payments on the line of credit discussed in Note 8.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7. Investment in Shaw Center for the Arts**

The LSU Foundation is a 50% investor in the Shaw Center for the Arts, LLC, and accordingly, accounts for the investment using the equity method of accounting. The investments recorded on the statements of financial position totaled \$17,631,068 and \$18,141,732 at June 30, 2012 and 2011, respectively. The summarized unaudited financial information as of and for the year ended June 30, 2012 and audited financial information as of and for the year ended June 30, 2011 of the Shaw Center for the Arts, LLC is as follows:

	<u>2012</u>	<u>2011</u>
Total assets	\$ <u>35,424,178</u>	\$ <u>36,379,647</u>
Total liabilities	\$ <u>162,042</u>	\$ <u>100,553</u>
Net loss	(\$ <u>1,016,958</u> )	(\$ <u>1,133,706</u> )

**8. Line of Credit**

One December 20, 2007, the Foundation established an unsecured \$10,000,000 line of credit which accrued interest at a variable rate. The line of credit was established in order to assist the University in acquiring land. At June 30, 2011 the rate was equal to 1.25% plus the 30 day LIBOR with a minimum index rate of 2.00% (3.25% at June 30, 2011). The unused portion of the line of credit totaled \$32,586 at June 30, 2011). On October 1, 2011 the Foundation renewed its line of credit as a note payable (Note 9). As a result, the balance of the line of credit was \$0 at June 30, 2012.

**9. Notes Payable**

In January of 2010, the Foundation borrowed \$2,720,839 in connection with the construction of the new business education complex. The note accrues interest at a variable rate equal to the greater of the one-month LIBOR plus 175 basis points or 1% plus 175 basis points (3.00% and 2.75% at June 30, 2012 and 2011, respectively), requires quarterly interest payments, and matures on January 18, 2015. The note is secured by pledges related to the new complex, and the Foundation applies all pledges received against the outstanding balance on the note payable. The outstanding balance at June 30, 2012 and 2011 was \$930,734 and \$2,113,400, respectively.

On October 1, 2011, the Foundation converted the line of credit to a note payable (referred to in Note 8) in the amount of \$7,742,414. The note accrues interest at a fixed rate equal to 3.00% and is uncollateralized. The outstanding balance at June 30, 2012 was \$6,392,391 and is due on December 31, 2014.

The principal portion of the current notes payable is estimated to mature as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2013	\$ 644,583
2014	136,150
2015	6,472,392
2016	70,000
	<u>\$ 7,323,125</u>

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**10. Bonds Payable**

On May 1, 2003, the Foundation participated in borrowing, along with several other organizations, the proceeds of revenue bonds totaling \$31,555,000 issued by the Louisiana Public Facilities Authority. The Foundation's portion of the borrowing was \$12,725,000. The Foundation is scheduled to repay the borrowed funds by 2022. The borrowed funds were used to help fund several construction projects including the Shaw Center for the Arts.

Interest is currently being paid using a weekly rate as determined by the remarketing agent. The interest rates at June 30, 2012 and 2011 were 1.00% and 0.91%, respectively. Total interest expense incurred on the bonds for the years ended June 30, 2012 and 2011 was \$68,860 and \$75,130, respectively. The bonds are collateralized by future revenues of the Foundation.

The principal portion of the current outstanding debt is scheduled to mature as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 628,395
2014	628,395
2015	628,395
2016	628,395
2017	628,395
2018 - 2022	<u>3,083,025</u>
	<u>\$ 6,225,000</u>

**11. Funds Held In Custody**

Under agreements with the University and certain other charitable organizations, the Foundation manages and holds for deposit designated funds for these entities. The funds being held at June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
LSU - Alexandria Foundation	\$ 14,475,301	\$ 14,235,235
LSU - Eunice Foundation	1,943,293	1,937,235
Tiger Athletic Foundation	8,832,404	8,640,951
State Matching Funds Managed for the University	80,141,227	75,923,764
Split-interest agreements	<u>2,585,938</u>	<u>2,243,441</u>
	107,978,163	102,980,626
Less: portion classified as current	<u>( 16,121,746)</u>	<u>( 12,525,743)</u>
	<u>\$ 91,856,417</u>	<u>\$ 90,454,883</u>

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12. Net Assets**

Temporarily restricted net assets at June 30, 2012 and 2011 were available for grants to support Louisiana State University in the following general areas:

	<u>2012</u>	<u>2011</u>
Chairs and professorships	\$ 42,109,400	\$ 45,067,243
Scholarships and fellowships	28,782,965	30,245,693
Academic support and development	69,381,706	71,325,294
Capital outlay and improvements	11,462,373	15,965,284
Research support	5,373,015	5,508,644
Institutional support	8,015,687	14,373,595
	<u>\$ 165,125,146</u>	<u>\$ 182,485,753</u>

Net assets were released from donor restrictions by satisfaction of the restricted purposes or by occurrence of other events specified by the donors during the years ended June 30, 2012 and 2011, as follows:

	<u>2012</u>	<u>2011</u>
Chairs and professorships	\$ 4,818,730	\$ 4,339,744
Scholarships and fellowships	3,959,698	3,428,676
Academic support and development	13,012,148	11,720,886
Capital outlay and improvements	2,233,601	6,667,738
Research support	1,470,660	1,892,665
Institutional support	107,306	835,122
	<u>\$ 25,602,143</u>	<u>\$ 28,884,831</u>

Permanently restricted net assets at June 30, 2012 and 2011 were restricted to investments in perpetuity, the income from which is expendable to support the activities below:

	<u>2012</u>	<u>2011</u>
Chairs and professorships	\$ 112,823,086	\$ 109,178,815
Scholarships and fellowships	51,557,707	47,795,941
Academic support and development	40,938,348	38,730,992
Capital outlay and improvements	185,925	185,925
Research support	1,939,762	1,837,362
Institutional support	137,724	429,712
	<u>\$ 207,582,552</u>	<u>\$ 198,158,747</u>



**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Endowed Net Assets**

The LSU Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and providing a stable level of support to the beneficiaries. To achieve this objective, the LSU Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under agreement with the University for the University's benefit. These state matching endowed funds, which are maintained in a separate pool from other Foundation investments, are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

A spending rate is determined by the LSU Foundation Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the sixty-month moving average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. The net spending rate approved by the Board of Directors for each of the years ended June 30, 2012 and 2011, was 4.0%.

Effective July 1, 2010, the Louisiana legislature enacted Act No. 168 ("Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. In its interpretation of the law, the Foundation Board has determined that it is prudent for those endowed funds with no donor restrictions to the contrary that market value in excess of 80% (eighty percent) of corpus be made available for appropriation for expenditure within the provisions of the Board's annual establishment of spending policy. The portion that has not been determined to be available for expenditure is considered by the Board to be funds of perpetual duration and is classified as Permanently Restricted Net Assets. That portion that has been determined under relevant law by the Board to be available for appropriation is classified as Temporarily Restricted Net Assets. In making such determination, the Board considered the following factors: the duration and preservation of the endowment fund; the purposes of the institution and the endowment fund; general economic conditions; the possible effect of inflation or deflation; expected total return from income and appreciation of investments; other resources of the institution; and the investment policy of the institution. During the years ended June 30, 2012 and 2011, some donors amended restrictions on their contributions to provide that the market value of such contributions in excess of 80% (eighty percent) of corpus be made available for appropriation for expenditure, resulting in net assets of \$227,794 and \$1,692,512 in 2012 and 2011 being released from permanent restriction and classified as temporarily restricted.

The Louisiana Board of Regents spending policy dictates that the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount equal to the amount to be spent in the next fiscal year for which a spending allocation is made. When the current market value of each endowment is below the original corpus, no spending is allowed.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Endowed Net Assets (continued)**

The LSU Foundation Board of Directors has chosen to manage a portion of its unrestricted net assets as part of the endowed funds investment pool. At June 30, 2012 and 2011, the fair value of these Board Designated Endowed Funds was \$12,518,150 and \$12,685,505, respectively.

	<u>Unrestricted</u>	<u>Endowed Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowed net assets at June 30, 2010	\$ 10,567,972	\$ 33,622,904	\$ 189,377,703	\$ 233,568,579
Investment return:				
Investment income	19,558	1,245,534	-	1,265,092
Net appreciation	1,049,281	47,643,936	68,943	48,762,160
Contributions (including interfund transfers)	1,000,695	172,504	10,404,613	11,577,812
Appropriation of endowed assets for expenditure	( 152,001)	( 4,987,615)	-	( 5,139,616)
Other changes:				
Satisfaction of donor restrictions	-	1,692,512	( 1,692,512)	-
Transfers to increase board designated endowment funds	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Endowed net assets at June 30, 2011	12,685,505	79,389,775	198,158,747	290,234,027
Investment return:				
Investment income	-	5,781,408	-	5,781,408
Net depreciation	( 504,504)	( 21,171,429)	-	( 21,675,933)
Loss on disposal of assets	-	-	( 7,840)	( 7,840)
Contributions (including interfund transfers)	645,547	725,533	9,659,439	11,030,519
Appropriation of endowed assets for expenditure	( 308,398)	-	-	( 308,398)
Other changes:				
Satisfaction of donor restrictions	<u>-</u>	<u>227,794</u>	<u>( 227,794)</u>	<u>-</u>
Endowed net assets at June 30, 2012	<u>\$ 12,518,150</u>	<u>\$ 64,953,081</u>	<u>\$ 207,582,552</u>	<u>\$ 285,053,783</u>

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13. Endowed Net Assets (continued)**

The composition of endowed net assets, by fund type, at June 30, 2012 and 2011 was as follows:

	<u>June 30, 2012</u>			
	<u>Unrestricted</u>	<u>Endowed Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 64,953,081	\$ 207,582,552	\$ 272,535,633
Board designated endowment	<u>12,518,150</u>	<u>-</u>	<u>-</u>	<u>12,518,150</u>
Total	<u>\$ 12,518,150</u>	<u>\$ 64,953,081</u>	<u>\$ 207,582,552</u>	<u>\$ 285,053,783</u>

	<u>June 30, 2011</u>			
	<u>Unrestricted</u>	<u>Endowed Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	\$ 79,389,775	\$ 198,158,747	\$ 277,548,522
Board designated endowment	<u>12,685,505</u>	<u>-</u>	<u>-</u>	<u>12,685,505</u>
Total	<u>\$ 12,685,505</u>	<u>\$ 79,389,775</u>	<u>\$ 198,158,747</u>	<u>\$ 290,234,027</u>

**14. Retirement Plan**

The Foundation sponsors a 401(k) retirement plan for its employees. Effective on January 1, 2012, the Foundation contributes up to 4% of the employee's salary to the plan. Prior to January 1, 2012, the Foundation contributed up to 7% of the employee's salary to the plan. An employee is vested 100% upon beginning employment with the Foundation. The retirement plan requires a minimum participation age of 21. The Foundation contributed \$199,720 and \$255,696 to the plan during the years ended June 30, 2012 and 2011, respectively.

**15. Operating Lease**

The Foundation leases office space from the LSU Alumni Association under an agreement which has options for renewal periods extending through November 30, 2016. The current lease agreement expires on November 30, 2012. For the years ended June 30, 2012 and 2011, rent expense incurred under this agreement totaled \$137,995.

**LSU FOUNDATION**  
**BATON ROUGE, LOUISIANA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16. Commitments**

The Foundation has contractual commitments associated with projects for the renovation and construction of a choir and band hall for the University Lab School, a lab and teaching facility for the College of Engineering, a state-of-the-art equine lameness facility, and improvements to the Hilltop Arboretum facilities. The total contract amounts for these projects total approximately \$1,033,000 and the remaining commitment as of June 30, 2012, totals approximately \$220,000.

The Foundation committed \$1,350,000 to Louisiana Fund I, L.P., a Delaware Limited Partnership in October of 2004. As of June 30, 2012, capital contributions have totaled \$1,161,000. The Foundation also committed a total of \$28,520,500 to various Private Equity Funds during the years from 2005 through 2012. As of June 30, 2012, capital contributions have totaled approximately \$19,235,107.

**17. Transactions with the University**

The Foundation has certain transactions in the normal course of operations with the University. The transactions consist of reimbursement for salaries, which are processed by the University and reimbursement for certain expenses paid by the University on behalf of the Foundation, such as payments of scholarships. The amount owed to the University at June 30, 2012 and 2011 for these types of expenses was \$2,363,442 and \$2,493,342, respectively.

**18. Development Expenses**

The Foundation incurred expenses totaling \$3,586,102 and \$4,151,354 for the years ending June 30, 2012 and 2011, respectively, related to development and fundraising. Such amounts are included in supporting services in the accompanying statements of activities.

**19. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 5, 2012, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

# LSU FOUNDATION

**SUPPLEMENTARY INFORMATION**

**END OF THE YEAR REPORTING PACKET**  
**JUNE 30, 2012**

**REQUIRED BY THE STATE OF LOUISIANA,**  
**DIVISION OF ADMINISTRATION,**  
**OFFICE OF STATEWIDE REPORTING**



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**INDEPENDENT AUDITORS' REPORT**  
**ON SUPPLEMENTARY INFORMATION**

The Board of Directors  
LSU Foundation  
Baton Rouge, Louisiana

We have audited the consolidated financial statements of the LSU Foundation, the LSU Property Foundation, and the LSU Marine Property Foundation as of and for the year ended June 30, 2012, and our report thereon dated October 5, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The End of the Year Reporting Packet is presented for purposes of additional analysis and is not a required part of the consolidated financial statements but is supplementary information required by the State of Louisiana, Division of Administration, Office of Statewide Reporting and Policy (OSRAP). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
October 5, 2012

**LOUISIANA STATE UNIVERSITY SYSTEM  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

	University	LSU Foundation	*Eliminations dr/(cr)	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents (Note C)	\$ -	\$ 16,055,042	\$ -	\$ 16,055,042
Investments (Note C)	-	6,539,458	-	\$ 6,539,458
Derivative instrument (Asset - Note C)	-	-	-	\$ -
Deferred outflow of resources (Note C)	-	-	-	\$ -
Receivables, net (Note D)	-	216,159	-	\$ 216,159
Pledges receivable	-	5,164,745	-	\$ 5,164,745
Due from other campuses	-	-	-	\$ -
Due from State Treasury	-	-	-	\$ -
Due from Federal Government (Note D)	-	-	-	\$ -
Inventories	-	-	-	\$ -
Deferred charges and prepaid expenses	-	117,697	-	\$ 117,697
Notes receivable	-	-	-	\$ -
Other current assets	-	755,843	-	\$ 755,843
Total current assets	-	28,848,944	-	\$ 28,848,944
<b>Noncurrent Assets</b>				
Restricted assets:				
Cash and cash equivalents (Note C)	-	-	-	\$ -
Investments (Note C)	-	462,530,160	-	\$ 462,530,160
Accounts receivable, net (Note D)	-	-	-	\$ -
Notes receivable, net	-	-	-	\$ -
Other	-	491,137	-	\$ 491,137
Investments - unrestricted (Note C)	-	17,631,068	-	\$ 17,631,068
Pledges receivable	-	10,488,518	-	\$ 10,488,518
Notes receivable, net	-	-	-	\$ -
Capital assets, net (Note E)	-	12,222,684	-	\$ 12,222,684
Easements (nondepreciable)	-	-	-	\$ -
Intangible Assets	-	-	-	\$ -
Other noncurrent assets	-	771,807	-	\$ 771,807
Total noncurrent assets	-	504,135,374	-	\$ 504,135,374
Total assets	-	532,984,318	-	\$ 532,984,318

# **LIABILITIES**

## **Current Liabilities**

Accounts payable and accrued liabilities	-	2,947,048	-	\$	2,947,048
Derivative instrument - (Liability - Note C)	-	-	-	\$	-
Deferred inflow of resources (Note C)	-	-	-	\$	-
Due to other campuses	-	-	-	\$	-
Due to State Treasury	-	-	-	\$	-
Due to Federal Government	-	-	-	\$	-
Deferred revenues	-	-	-	\$	-
Amounts held in custody for others	-	16,121,746	-	\$	16,121,746
Other liabilities	-	-	-	\$	-

## **Current portion of Noncurrent Liabilities (Note I)**

Compensated absences payable	-	286,198	-	\$	286,198
Capital lease obligations	-	-	-	\$	-
Claims and litigation payable	-	-	-	\$	-
Notes payable	-	644,583	-	\$	644,583
Pollution remediation obligation	-	-	-	\$	-
Contracts payable	-	-	-	\$	-
Reimbursement contracts payable	-	-	-	\$	-
Bonds payable	-	628,395	-	\$	628,395
Other current liabilities	-	19,906	-	\$	19,906
<b>Total current liabilities</b>	-	<b>20,647,876</b>	-	<b>\$</b>	<b>20,647,876</b>

## **Long-term Portion of Noncurrent Liabilities**

Compensated absences payable	-	-	-	\$	-
Capital lease obligations	-	-	-	\$	-
Claims and litigation payable	-	-	-	\$	-
Notes payable	-	6,678,542	-	\$	6,678,542
Pollution remediation obligation	-	-	-	\$	-
Contracts payable	-	-	-	\$	-
Reimbursement contracts payable	-	-	-	\$	-
OPEB Payable	-	-	-	\$	-
Bonds payable	-	5,596,605	-	\$	5,596,605
Other noncurrent liabilities	-	91,919,717	-	\$	91,919,717
<b>Total noncurrent liabilities</b>	-	<b>104,194,864</b>	-	<b>\$</b>	<b>104,194,864</b>
<b>Total liabilities</b>	-	<b>124,842,740</b>	-	<b>\$</b>	<b>124,842,740</b>

# **NET ASSETS**

Invested in capital assets, net of related debt	-	12,222,684	-	\$	12,222,684
Restricted for:					
Nonexpendable	-	207,582,552	-	\$	207,582,552
Expendable	-	165,125,146	-	\$	165,125,146
Unrestricted	-	23,211,196	-	\$	23,211,196
<b>Total Net Assets</b>	-	<b>408,141,578</b>	-	<b>\$</b>	<b>408,141,578</b>
<b>Total Liabilities and net assets</b>	<b>\$</b>	<b>\$ 532,984,318</b>	<b>\$</b>	<b>\$</b>	<b>\$ 532,984,318</b>

\* Enter eliminations as a negative number.



**LOUISIANA STATE UNIVERSITY SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	University	Component Units	*Eliminations	Total
<b>OPERATING REVENUES</b>				
Student tuition and fees	-	-	-	-
*Less scholarship allowances	-	-	-	-
Net student tuition and fees	-	-	-	-
Gifts received by the foundations (component units only)	-	15,732,901	-	15,732,901
Endowment income (component units only)	-	(22,740,247)	-	(22,740,247)
Federal appropriations	-	-	-	-
Federal grants and contracts	-	-	-	-
State and local grants and contracts	-	-	-	-
Nongovernmental grants and contracts	-	-	-	-
Sales and services of educational departments	-	-	-	-
Hospital income	-	-	-	-
Auxiliary enterprise revenues, (see Note HH for revenue amounts pledged as security for bonds)	-	-	-	-
*Less scholarship allowances	-	-	-	-
Net auxiliary revenues	-	-	-	-
Other operating revenues	-	1,048,707	-	1,048,707
Total operating revenues	-	(5,958,639)	-	(5,958,639)
<b>OPERATING EXPENSES</b>				
Educational and general	-	-	-	-
Instruction	-	-	-	-
Research	-	-	-	-
Public service	-	-	-	-
Academic support	-	-	-	-
Student services	-	-	-	-
Institutional support	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Depreciation	-	-	-	-
Scholarships and fellowships	-	-	-	-
Auxiliary enterprises	-	-	-	-
Hospital	-	-	-	-
Other operating expenses	-	7,119,074	-	7,119,074
Total operating expenses	-	7,119,074	-	7,119,074
Operating income (loss)	-	(13,077,713)	-	(13,077,713)
<b>NONOPERATING REVENUES AND (EXPENSES)</b>				
State appropriations	-	-	-	-
Gifts	-	-	-	-
Federal nonoperating revenues (expenses)	-	-	-	-
ARRA Revenues	-	-	-	-
Net investment income (loss)	-	22,978,689	-	22,978,689
Interest expense	-	(337,210)	-	(337,210)
Payments to or on behalf of the university	-	(23,603,703)	-	(23,603,703)
Other nonoperating revenues (expenses)	-	-	-	-
Net nonoperating revenues (expenses)	-	(962,224)	-	(962,224)
Income before other revenues, expenses, gains, and losses	-	(14,039,937)	-	(14,039,937)
Capital appropriations	-	-	-	-
Capital gifts and grants	-	-	-	-
Additions to permanent endowments	-	9,659,439	-	9,659,439
Other additions, net	-	(3,448)	-	(3,448)
Transfer (to)/from other system institution	-	-	-	-
Increase (decrease) in net assets	-	(4,383,946)	-	(4,383,946)
Net assets at beginning of year, as restated	-	412,525,524	-	412,525,524
Net assets at end of year	-	408,141,578	-	408,141,578

**LOUISIANA STATE UNIVERSITY SYSTEM  
SIMPLIFIED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

		Program Revenues			Net (Expense)			
	(-)	Charges for	Operating	Capital	Revenue and	Component	(-)	Combined
	Expenses	Services	Grants and	Grants and	Changes in	Units	* Eliminations	Total
			Contributions	Contributions	Net Assets			
College or University	\$ -	\$ -	\$ -	\$ -	\$ -			
Component Units	(31,059,987)	-	22,444,035	-	(8,615,952)			
* Eliminations	-	-	-	-	-			
Combined Total	(31,059,987)	-	22,444,035	-	(8,615,952)			
General revenues:								
State appropriations					-	-	-	-
Grants and contributions not restricted to specific programs					-	2,948,305	-	2,948,305
Interest					-	238,442	-	238,442
Miscellaneous					-	1,045,259	-	1,045,259
Special items					-	-	-	-
Extraordinary item - loss on impairment of capital assets					-	-	-	-
Transfers					-	-	-	-
Total general revenues, special items, and transfers					-	4,232,006	-	4,232,006
Change in net assets					-	(4,383,946)	-	(4,383,946)
Net assets - beginning					-	412,525,524	-	412,525,524
Net assets - ending					\$ -	408,141,578	-	408,141,578

\* Enter in spreadsheet as a negative number.

# FOUNDATIONS OF THE LSU SYSTEM

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 2012

	LSU Foundation
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$14,587,063
Restricted cash	1,467,979
Investments	6,539,458
Derivative instrument (Asset)	
Accrued interest receivable	755,843
Accounts receivable, net	216,159
Pledges Receivable	5,164,745
Due from State Treasury	-
Due from federal government	-
Deferred charges and prepaid expenses	-
Notes Receivable	-
Other current assets	117,697
Total current assets	<u>28,848,944</u>
Noncurrent Assets:	
Restricted assets:	
Cash and cash equivalents	
Investments	462,530,160
Other	491,137
Investments	17,631,068
Pledges Receivable	10,488,518
Notes receivable	-
Property and equipment, net	12,222,684
Other noncurrent assets	771,807
Total noncurrent assets	<u>504,135,374</u>
Total assets	<u>532,984,318</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	2,947,048
Derivative instrument liability	-
Deferred revenues	-
Due to state treasury	-
Amounts held in custody for others	16,121,746
Other liabilities	-
Current portion of long-term debt:	
Compensated absences payable	286,198
Capital Lease obligations	-
Claims and litigation payable	-
Notes payable	644,583
Contracts payable	-
Reimbursement contracts payable	-
Bonds payable	628,395
Other liabilities	19,906
Total current liabilities	<u>20,647,876</u>
Long-Term Portion of Noncurrent Liabilities:	
Compensated absences payable	-
Capital Lease obligations	-
Claims and litigation payable	-
Notes payable	6,678,542
Contracts payable	-
Reimbursement contracts payable	-
Bonds payable	5,596,605
Other liabilities	91,919,717
Total noncurrent liabilities	<u>104,194,864</u>
Total liabilities	<u>124,842,740</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	12,222,684
Restricted:	
Nonexpendable	207,582,552
Expendable	165,125,146
Unrestricted	23,211,196
Total net assets	<u>408,141,578</u>
Total liabilities and net assets	<u>532,984,318</u>

# FOUNDATIONS OF THE LSU SYSTEM

## Statement of Activities - FASB format For the Year Ended June 30, 2012

### LSU Foundation

#### Changes in unrestricted net assets:

Contributions	\$2,948,305
Investment earnings (loss), net	5,014,229
Grants and contracts	-
Service fees	1,048,707
Other revenues	(541)
Total unrestricted revenues	<u>\$9,010,700</u>

#### Net assets released from restrictions:

Reclassification in net assets due to change in law	-
Satisfaction of program expenses	25,602,143
Total unrestricted revenues and other support	<u>\$34,612,843</u>

#### Expenses:

##### Amounts paid to benefit Louisiana State University for:

Projects specified by donors	22,399,911
Projects specified by the Board of Directors	1,541,002

##### Other:

Grants and contracts	-
Property operations	-
Other	-
Total program expenses	<u>23,940,913</u>

#### Supporting services:

Salaries and benefits	5,290,003
Occupancy	167,361
Office operations	795,414
Travel	81,697
Professional services	464,448
Dues and subscriptions	78,077
Meetings and development	230,078
Depreciation	11,996
Other	-
Total supporting services	<u>7,119,074</u>

#### Fund-raising expenses

Total expenses	<u>31,059,987</u>
----------------	-------------------

Increase (decrease) in unrestricted net assets	<u>\$3,552,856</u>
--	--------------------

**Changes in temporarily restricted net assets:**

Contributions	\$12,784,596
Investment earnings	(4,767,732)
Changes in value of split interest agreements	(3,448)
Other	326
Total temporarily restricted revenues	<u>\$8,013,742</u>
Net assets released from restrictions:	
Reclassification in net assets due to change in law	-
Satisfaction of program expenses	<u>(25,374,349)</u>

**Increase in temporarily  
restricted net assets**(\$17,360,607)**Changes in permanently restricted net assets:**

Contributions	9,659,439
Investment earnings	-
Other	(7,840)
Net assets released from donor restrictions	<u>(227,794)</u>

**Increase (decrease) in permanently  
restricted net assets**9,423,805**Increase (decrease) in net assets**(4,383,946)**Net assets at beginning of year**412,525,524**Net assets at end of year**408,141,578

## FOUNDATIONS OF THE LSU SYSTEM

### Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2012

	<u>LSU Foundation</u>
<b>OPERATING REVENUES</b>	
Student tuition and fees	\$ -
Less scholarship allowances	-
Net student tuition and fees	-
Gifts received by foundations	15,732,901
Endowment income	(22,740,247)
Federal appropriations	-
Federal grants and contracts	-
State and local grants and contracts	-
Nongovernmental grants and contracts	-
Sales and services of educational departments	-
Hospital income	-
Auxiliary enterprise revenues (including revenues pledged to secure debt)	-
Less scholarship allowances	-
Net auxiliary revenues	-
Other operating revenues	1,048,707
Total operating revenues	<u>(5,958,639)</u>
<b>OPERATING EXPENSES</b>	
Educational and general:	
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Scholarships and fellowships	-
Auxiliary enterprises	-
Hospital	-
Other operating expenses	7,119,074
Total operating expenses	<u>7,119,074</u>
Operating Income (Loss)	<u>(13,077,713)</u>

**NONOPERATING REVENUES (Expenses)**

State appropriations	\$ -
Gifts	-
Federal nonoperating revenues (expenses)	-
ARRA Revenues	-
Net investment income	22,978,689
Interest expense	(337,210)
Payment to on on behalf of university	(23,603,703)
Other nonoperating revenues (expenses)	-
Net nonoperating revenues	<u>(962,224)</u>

**Income Before Other Revenues, Expenses, Gains, and Losses** (14,039,937)

Capital appropriations	-
Capital gifts and grants	-
Additions to permanent endowments	9,659,439
Other additions, net	<u>(3,448)</u>

**Increase in Net Assets** (4,383,946)

**Net Assets at Beginning of Year** 412,525,524

**Net Assets at End of Year** 408,141,578

## FOUNDATIONS OF THE LSU SYSTEM

### Statement of Activities (GASB)

For the Year Ended June 30, 2012

#### LSU Foundation

Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue and change in net assets
\$ (31,059,987)		\$ 22,444,035		\$ (8,615,952)

#### General Revenues:

State Appropriations	\$ -
Grants and contributions not restricted to specific programs	2,948,305
Interest	238,442
Miscellaneous	1,045,259
Special items	-
Total general revenues and special items	4,232,006
Change in net assets	(4,383,946)
Net assets , beginning of year	412,525,524
Net assets, end of year	\$ 408,141,578



**Note A. 15 Component Units**

**This year, the LSU Foundation, the Tiger Athletic Foundation, LSU HSC Foundation New Orleans and LSU HSC Foundation Shreveport qualify to be discretely presented.**

Each component unit should provide the following:

**Note A. 15 Component Units - Discrete**

1. A brief description of the component unit including its relationship to the University; a discussion of the criteria for including it; how it is reported, and the nature and amount of significant transactions between the university and the component unit.

The LSU Foundation is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: Baton Rouge. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2012, the LSU Foundation made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of:

\$31,059,987

Complete financial statements for the LSU Foundation can be obtained from:

3838 West Lakeshore Drive, Baton Rouge, LA 70808  
(mailing address)

or from the foundation's website at:

[www.lsufoundation.org](http://www.lsufoundation.org)

The LSU Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

**Note C. 2 Investments and Custodial Credit Risk**

The LSU System does/does not (please indicate) maintain investment accounts as authorized by the investment policy approved by the LSU Board of Supervisors.

This note contains the elements to complete both OSRAP note C.2, C.3.B and System Financial Report note 3.

**Important notes and instructions:**

- A. Please list all investments and their reported fair values on this sheet. The total of Column G should tie into the SNA.  
 B. Input the maturity distribution only for debt securities, bond mutual funds, negotiable CD's, and repurchase agreements and any other investments type requiring interest rate risk disclosure per GASB 40.  
 C. Unlike the previous year's AFR packet, the underlying investments held through the foundation will not be broken out. Amounts held by foundations will be reported on one line.  
 D. If investments are exposed to Custodial Credit risk, then enter appropriate information in columns E and F. See text box below for explanation.  
 E. If investments include open ended mutual funds, then please provide a breakdown of the underlying investments of the fund for disclosure purposes (See 2011 audited FS page 41)

Type of Investment	Investments Exposed to Custodial Credit Risk		All Investments Regardless of Custodial Credit Risk Exposure	
	Uninsured, "Unregistered, and Held by Counterparty"	Uninsured, "Unregistered, and Held by Trust Dept. or Agent not in Entity's Name"	Reported Amount on SNA	Fair Value
Repurchase agreements	\$	\$	\$	\$
Negotiable CD's				
U.S. Treasury Securities				
Other direct obligations of US				
U.S. Government Agency Securities				
Bonds and Notes:				
Federal Home Loan Mortgage Corporation				
Federal National Mortgage Association				
Federal Home Loan Bank				
Federal Farm Credit Bank				
Farmer Agricultural Mortgage Corporation				
Collateralized Mortgage Obligations				
Federal National Mortgage Association				
Federal Home Loan Banks				
Federal Home Loan Banks				
Federal Home Loan Mortgage Corporation				
Government National Mortgage Association				
Mortgage Backed Securities				
Federal National Mortgage Association				
Federal Home Loan Mortgage Corporation				
Government National Mortgage Association				
Small Business Administration				
Corporate Debt obligation				
Municipal debt obligations				
Debt mutual funds				
Money market mutual funds				
Equity Mutual funds				
Investments held through foundations (total balance)			469,069,618	469,069,618
Investments in external investment pools other than through foundations				
Common and preferred stock				
Other investments				
Realty investments				
Louisiana Public Facilities Authority				
Interest receivable				
LSUE Housing Foundation				
New Orleans Regional Physicians Hospital Organization				
HCN Investment Account				
<b>Total investments</b>	<b>\$</b>	<b>\$</b>	<b>\$ 469,069,618</b>	<b>\$ 469,069,618</b>

**Open End Mutual Funds (PY categories provided for reference):**

Federated Investors Obligation Fund  
 Federated Prime Obligations Fund  
 JP Morgan Treasury Money Market  
 Fidelity Treasury Money Market Fund

\$ -

**Schedule of Capital Assets (includes capital leases)**

<b>Component Unit(s)</b>	<b>Balance 6/30/2011</b>	<b>Prior Period Adjustments</b>	<b>Restated Balance 6/30/2011</b>	<b>Additions</b>	<b>* Reclassifica- tions of CIP</b>	<b>** Retirements</b>	<b>Balance 6/30/2012</b>
<b>Capital assets not depreciated:</b>							
Land	\$ 10,550,505	\$ -	\$ 10,550,505	\$ -	\$ -	\$ (3,627,946)	\$ 6,922,559
Non-depreciable land improvements	-	-	-	-	-	-	-
Non-depreciable easements	-	-	-	-	-	-	-
Capitalized collections	4,263,362	-	4,263,362	110,000	-	(65,700)	4,307,662
Livestock	-	-	-	-	-	-	-
Software - development in progress	-	-	-	-	-	-	-
Construction in progress	105,387	-	105,387	1,189,929	-	(387,397)	907,919
<b>Total capital assets not depreciated</b>	<b>\$ 14,919,454</b>	<b>\$ -</b>	<b>\$ 14,919,454</b>	<b>\$ 1,299,929</b>	<b>\$ -</b>	<b>\$ (4,081,043)</b>	<b>\$ 12,138,340</b>
<b>Other capital assets:</b>							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
** Accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements	-	-	-	-	-	-	-
** Accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
** Accumulated depreciation	-	-	-	-	-	-	-
Total buildings	-	-	-	-	-	-	-
Equipment (including library books)	1,599,752	-	1,599,752	-	-	(1,074)	1,598,678
** Accumulated depreciation	(1,486,125)	-	(1,486,125)	(29,283)	-	1,074	(1,514,334)
Total equipment	113,627	-	113,627	(29,283)	-	-	84,344
Software (internally generated & purchased)	-	-	-	-	-	-	-
<b>Other intangibles</b>							
** Accumulated amortization - software	-	-	-	-	-	-	-
** Accumulated amortization - other intangibles	-	-	-	-	-	-	-
Total intangibles	-	-	-	-	-	-	-
<b>Total other capital assets</b>	<b>\$ 113,627</b>	<b>\$ -</b>	<b>\$ 113,627</b>	<b>\$ (29,283)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84,344</b>
<b>Capital asset summary:</b>							
Capital assets not depreciated	\$ 14,919,454	\$ -	\$ 14,919,454	\$ 1,299,929	\$ -	\$ (4,081,043)	\$ 12,138,340
Other capital assets, book value	1,599,752	-	1,599,752	-	-	(1,074)	1,598,678
Total cost of capital assets	16,519,206	-	16,519,206	1,299,929	-	(4,082,117)	13,737,018
Accumulated depreciation/amortization	(1,486,125)	-	(1,486,125)	(29,283)	-	1,074	(1,514,334)
<b>Capital assets, net</b>	<b>\$ 15,033,081</b>	<b>\$ -</b>	<b>\$ 15,033,081</b>	<b>\$ 1,270,646</b>	<b>\$ -</b>	<b>\$ (4,081,043)</b>	<b>\$ 12,222,684</b>

\* Should only be used for those completed projects coming out of construction-in-progress to fixed assets.

\*\* Enter a negative number except for accumulated depreciation in the retirement column

**Recap of Adjustments to Beginning Balance of Capital Assets**  
(includes capital leases)

	<u>University/System</u>		<u>LSU Foundation</u>		<u>Total by Category</u>		
<u>University/System</u>	Adjustments to AFR after submitted to OSRAP	Restate- ments	Adjustments to AFR after submitted to OSRAP	Restate- ments	Adjustments to AFR after submitted to OSRAP	Restate- ments	Total Prior Year Adjustments
Capital assets not depreciated:							
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-depreciable land improvements	-	-	-	-	-	-	-
Non-depreciable easements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Software - development in progress	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Total capital assets not depreciated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other capital assets:							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
* Accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements	-	-	-	-	-	-	-
* Accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
* Accumulated depreciation	-	-	-	-	-	-	-
Total buildings	-	-	-	-	-	-	-
Equipment (including library books)	-	-	-	-	-	-	-
* Accumulated depreciation	-	-	-	-	-	-	-
Total equipment	-	-	-	-	-	-	-
Software (internally generated & purchased)	-	-	-	-	-	-	-
Other intangibles	-	-	-	-	-	-	-
* Accumulated amortization - software	-	-	-	-	-	-	-
* Accumulated amortization - other intangibles	-	-	-	-	-	-	-
Total intangibles	-	-	-	-	-	-	-
Total other capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital asset summary:							
Capital assets not depreciated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other capital assets, book value	-	-	-	-	-	-	-
Accumulated depreciation/amortization	-	-	-	-	-	-	-
Capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* Formulas are set for depreciation/amortization presented as a negative number. Check formulas to ensure correct totals.

**Note 1. Bonds & notes payable & capital leases.**

**Campuses and component units complete the appropriate section.**

<b>Component Units</b>	<b>Balance at June 30, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2012</b>	<b>Amounts due within one year</b>
<b>Notes &amp; bonds payable:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Notes payable	2,113,400	7,742,414	2,532,689	7,323,125	644,583
Bonds payable	6,900,000	-	875,000	6,225,000	628,395
Total bonds and notes payable	9,013,400	7,742,414	3,207,689	13,548,125	1,272,978
<b>Other liabilities:</b>					
Compensated absences payable	286,523		325	286,198	286,198
Capital lease obligations	-			-	
Claims and litigation payable	-			-	
Pollution remediation obligations	-			-	
Contracts payable	-			-	
Reimbursement contracts payable	-			-	
Amounts held for others	102,980,826	4,997,537		107,978,163	16,121,746
Line of Credit	9,967,414		9,967,414	-	
Other liabilities	63,300			63,300	-
OPEB Payable	-			-	
Total other liabilities	113,297,863	4,997,537	9,967,739	108,327,661	16,407,944
Total long-term liabilities	\$ 122,311,263	\$ 12,739,951	\$ 13,175,428	\$ 121,875,786	\$ 17,680,922

**(Send OSRAP a copy of the amortization schedule for any new debt issued.)**

**Note N. Related Party Transactions**

List all related party transactions below.

Name of Individual	Describe Relationship	Describe Related Party Transaction	Dollar amount of Transaction	Amounts Due to/ Due from that resulted from related party transaction
<del>None</del>				

**Campuses and component units complete the appropriate section.**

Yes / No  
N/A

**Note:** This schedule is not applicable to LSW Foundation.

<u>COMPONENT UNIT CAPITAL LEASES</u>					
<u>Nature of lease</u>	<u>Date of lease</u>	<u>Gross amount of leased assets (historical cost)</u>	<u>Last payment date</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	_____	\$ _____	_____	\$ _____	\$ _____
b. Buildings	_____	_____	_____	_____	_____
c. Equipment	_____	_____	_____	_____	_____
d. Land	_____	_____	_____	_____	_____
e. Other	_____	_____	_____	_____	_____
Total assets under cap. lease		\$ _____ -		\$ _____ -	\$ _____ -

## **Note P. Lease Payments under Capital Leases**

**Campuses and component units complete the appropriate column**

**Note: This schedule is for the State of Utah Foundation.**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2012.

<u>Year ending June 30:</u>	<u>Future minimum lease payment:</u>		<u>Total:</u>
	<u>University/System</u>	<u>Component Units:</u>	
2013	\$ _____	\$ _____	\$ -
2014	_____	_____	-
2015	_____	_____	-
2016	_____	_____	-
2017	_____	_____	-
2018-2022	_____	_____	-
2023-2027	_____	_____	-
2028-2032	_____	_____	-
2033-2037	_____	_____	-
2038-2042	_____	_____	-
	_____	_____	-
	_____	_____	-
	_____	_____	-
Total minimum lease payments	-	-	-
Less: amounts representing executory costs	-	-	-
Net minimum lease payments	-	-	-
Less: amounts representing interest	-	-	-
Present value - net minimum lease payments	-	-	-

Note: If lease payments extend past FY2042 create additional rows and report these future minimum lease payments in five year increments. I've added three rows for you just in case you need them. You may need to add more.



**Note P. Lessor Direct Financing Leases**

**Campuses and component units complete the appropriate section**

**The following lists the components of the net investment in direct financing leases as of June 30, 2012:**

~~Notes: This schedule is not applicable for CSU Foundation~~

<u>Component Unit(s)</u> <u>Composition of lease</u>	<u>Date of lease</u>	<u>Minimum lease payment receivable</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office Space	_____	\$ _____	\$ _____	\$ _____
b. Building	_____	_____	_____	_____
c. Equipment	_____	_____	_____	_____
d. Land	_____	_____	_____	_____
e. Other	_____	_____	_____	_____
Less amounts representing executory costs	(	_____ )	(	_____ )
Minimum lease payment receivable		-	-	-
Less allowance for doubtful accounts	(	_____ )	(	_____ )
Net minimum lease payments receivable		-	-	-
Estimated residual values of leased property		_____	_____	_____
		-	-	-
Less unearned income	(	_____ )	(	_____ )
Net investment in direct financing leases		\$ _____	\$ _____	\$ _____

**Both Campus and Component Unit complete below if appropriate.**

Minimum lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2012 were:

\_\_\_\_\_ for office space  
 \_\_\_\_\_ for buildings  
 \_\_\_\_\_ for equipment  
 \_\_\_\_\_ for land  
 \_\_\_\_\_ for other

**Note P. Future Minimum Lease Receivables - With Lessor Direct Financing Leases**

**Campuses and component units complete the appropriate column**

**Note: This schedule is not applicable to CSU Foundation**

The following is a schedule by years of minimum lease receivable for the remaining fiscal years of the lease as of June 30, 2012:

Year ending _____:	Future minimum lease receivables:		
	University/System	Component Unit(s)	Total
2013	\$ _____	\$ _____	\$ -
2014	_____	_____	-
2015	_____	_____	-
2016	_____	_____	-
2017	_____	_____	-
2018-2022	_____	_____	-
2023-2027	_____	_____	-
2028-2032	_____	_____	-
	_____	_____	-
	_____	_____	-
	_____	_____	-
Total	\$ -	\$ -	\$ -

Note: If lease receivables extend past FY2032 create additional rows and report these future minimum lease receivables in five year increments. I've added three rows for you just in case you need them. You may need to add more.

**Note T. Prior Year Restatement of Net Assets**

**Campuses and component units complete the appropriate section**

The following adjustments were made to restate beginning net assets for July 1, 2011.

**Note: This schedule is not applicable to SUE Foundation**

		<u>Amount</u>
Ending net assets 6/30/11 as reported to OSRAP on PY AFR	\$	
Audit adjustments to affecting net assets at 6/30/11 made		-
<b>Total</b>	<b>\$</b>	-
Items identified during 2011-2012 that require restatement of prior year net assets		-
Beginning net assets 7/1/2011, as restated	\$	-

**Each adjustment and restatement must be explained in detail**

**Audit Adjustments after AFR Submission**

<b>Explanation: (List below)</b>		
<b>Total</b>		-

(should equal cell c13 above)

**Items identified that require restatement**

<b>Explanation: (List below)</b>		
<b>Total</b>		-

(should equal cell c16 above)

# **SCHEDULE 1-A COMPONENT UNIT**

## **STATE OF LOUISIANA Louisiana State University System SCHEDULE OF BONDS PAYABLE June 30, 2012**

Required for our  
Financial Report

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/11	(Redeemed) Issued	Principal Outstanding 6/30/2012 *	Interest Rates	Interest Outstanding 6/30/12	Maturities
<u>LSU Foundation</u>								
Pooled Loan Program Revenue Bonds Series 2003A	04/01/03	\$ 12,725,000	\$ 6,900,000	\$ (675,000)	\$ 6,225,000	variable	\$ 341,283	2012-2022
Unamortized premium (discount)								
Total		<u>\$ 12,725,000</u>	<u>\$ 6,900,000</u>	<u>\$ (675,000)</u>	<u>\$ 6,225,000</u>		<u>\$ 341,283</u>	

Send copies of new amortization schedules for each new bond issuance for the component units included in the university's financial statements.

SCHEDULE 1-A (Component Unit)

**SCHEDULE 1-B COMPONENT UNIT**

## STATE OF LOUISIANA

**LSU Foundation**

### SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE

**June 30, 2012**

Note: This schedule is not applicable to all states. For details, see the instructions.

	Date of issue	Original issue	Principal Outstanding 6/30/11	Issued (Redeemed)	Principal Outstanding 6/30/12 *	Maturities	Interest Rates	Interest Outstanding 6/30/12
Issue								
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
					\$ -	-		
Total	\$ -	\$ -	\$ -	\$ -	\$ -	-		\$ -

\* Note: Principal outstanding at 6/30/12 should agree to Contracts Payable on the Statement of Net Assets.

### Send copies of new amortization schedules

**SCHEDULE 1-B (Component Unit)**

### Schedule 1-C COMPONENT UNIT

## STATE OF LOUISIANA

**Louisiana State University System**

## SCHEDULE OF NOTES PAYABLE

**June 30, 2012**

**Bond premium or discount should be listed on a separate line and not included in principal amount.**

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Issued (Redeemed)</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2012</u>
LSU Foundation - Business Complex	01/19/2010	\$ 2,720,839	\$ 2,113,400	\$ (1,182,686)	\$ 930,734	N/A	Variable	\$ 43,704
LSU Foundation - South Campus	10/1/2011	7,742,414	-	(1,350,023)	6,392,391	12/31/2014	3.00%	497,221
					-			
					-			
					-			
					-			
					-			
					-			
TOTAL			\$ 2,113,400	\$ (\$2,532,689)	\$ 7,323,125			\$ 540,925

## Sand copies of new amortization schedules

**SCHEDULE 1-C (Component Unit)**

Schedule 2-A COMPONENT UNIT

Do not include bond premium or discount in principal column

LSU Foundation

Schedule of Bonds Payable Amortization  
for the Year Ended June 30, 2012

Fiscal Year Ending	Principal	Interest	Total
2013	628,395	62,536	690,931
2014	628,395	56,223	684,618
2015	628,395	49,910	678,305
2016	628,395	43,598	671,993
2017	628,395	37,285	665,680
2018	628,395	30,972	659,367
2019	628,395	24,659	653,054
2020	628,395	18,346	646,741
2021	628,395	12,033	640,428
2022	569,445	5,721	575,166
2023			0
2024			0
2025			0
2026			0
2027			0
2028			0
2029			0
2030			0
2031			0
2032			0
2033			0
2034			0
2035			0
2036			0
2037			0
2038			0
2039			0
2040			0
2041			0
2042			0
Sub-total	6,225,000	341,283	6,566,283
Unamortized discount			
Unamortized premiums			
TOTAL	\$6,225,000	\$341,283	\$6,566,283

List the terms by which interest rate changes for variable-rate debt:

--

**Schedule 2-B COMPONENT UNIT**

**LSU Foundation**

**Schedule of Notes Payable Amortization  
for the Year Ended June 30, 2012**

<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	644,583	28,309	672,892
2014	136,150	8,704	144,854
2015	6,472,392	501,783	6,974,175
2016	70,000	2,129	72,129
2017	0	0	0
2018-2022			0
2023-2027			0
2028-2032			0
2033-2037			0
2038-2042			0
<b>TOTAL</b>	<b>\$7,323,125</b>	<b>\$540,925</b>	<b>\$7,864,050</b>

List the terms by which interest rate changes for variable-rate debt:

--

Schedule 2-B (Component Unit)



**Schedule 2-C Component Unit**

**LSU Foundation**

**None of this schedule is applicable to the LSU Foundation.**

**SCHEDULE OF CAPITAL LEASE AMORTIZATION**  
For the Year Ended June 30, 2012

<b>Fiscal Year</b> <b>Ending</b>	<b>Beginning</b> <b>Balance</b>	<b>Payment</b>	<b>Interest</b>	<b>Principal</b>	<b>Balance</b>
2013		-	-		-
2014	-	-	-		-
2015	-	-	-		-
2016	-	-	-		-
2017	-	-	-		-
2018-2022	-	-	-		-
2023-2027	-	-	-		-
2028-2032	-	-	-		-
2033-2037	-	-	-		-
2038-2042	-	-	-		-
<b>TOTAL</b>	-	-	-	-	-

List the terms by which interest rate changes for variable-rate debt:

Schedule 2-C (Component Unit)

Schedule 2-D Component Unit

**LSU Foundation**

**Schedule of Reimbursement Contracts Payable Amortization  
for the Year Ended June 30, 2012**

<b>Fiscal Year</b>			
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	

List the terms by which interest rate changes for variable-rate debt:

--

Schedule 2-D (Component Unit)

LOUISIANA STATE UNIVERSITY SYSTEM  
SCHEDULE OF EXPENSES BY UNIVERSITY  
For the Year Ended June 30, 2012

Agency No.	Name of individual university and agency no.:	University Amount	*Foundation Amount	Eliminations	Total Expenses
1. 19-601	1) LSU	\$	\$ 27,343,339	\$	\$ 27,343,339
2. 19-603	2) LSU Alexandria		0		0
3. 19-606	3) LSU Eunice		0		0
4. 19-608	4) LSU Agricultural Center		1,671,000		1,671,000
5. 19-609	5) LSU Law Center		1,554,470		1,554,470
6. 19-600	6) LSU System Office		491,178		491,178
7.	7) LSU Pennington Biomedical Center				0
8. 19-605	8) LSU Health Sciences Center - New Orleans				0
9.	9) LSU Health Sciences Center - Shreveport				0
10 19-607	10) LSU Shreveport				0
Total		\$ 0	\$ 31,059,987	\$ 0	\$ 31,059,987

\* Should only include foundations that are included in this AFR packet

Show eliminations as a negative

"Total Expenses" above should agree to the "Combined Total" expenses shown on the Statement of Activities. You do not have to prepare the Statement of Activities to complete Schedule 4, however. Expenses to be reported here are the sum of the amounts shown on lines "total operating expenses", "interest expense", and "payments to or on behalf of the university" on the SRECNA.

System Office Note 16: Restricted Net Assets - Component Units

**Please report the composition of your restricted assets. If none, please indicate so on the form.**

	LSU Foundation	Tiger Athletic Foundation	HSC S Foundation	HSC N.O. Foundation
<b>Temporarily restricted:</b>				
Chairs and professorships	42,109,400			
Scholarships and fellowships	28,782,965			
Specific academic and research projects	-			
Academic support	69,381,706			
Capital outlay and improvements	11,462,373			
Research support	5,373,015			
Institutional support	8,015,687			
Faculty - salary supplements				
Donor restrictions				
Restricted contributions receivable				
Restricted accounts payable				
Building funds				
Educational studies program				
<b>Total temporarily restricted</b>	<b>165,125,146</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Permanently restricted</b>				
Chairs and professorships	112,823,086			
Scholarships and fellowships	51,557,707			
Specific academic and research projects	-			
Academic support	40,938,348			
Capital outlay and improvements	185,925			
Research support	1,939,762			
Institutional support	137,724			
Endowment Funds				
Educational studies program				
Faculty - salary supplements				
<b>Total permanently restricted</b>	<b>207,582,552</b>	<b>0</b>	<b>0</b>	<b>0</b>

**System Note 24. Cooperative Endeavor Agreements - Component Units**

Below is the language included in the FY 11 financial statements regarding significant cooperative endeavor agreements entered into by your foundation. Please carefully review and update as necessary the portion that applies to your foundation.

**If your foundation discloses a cooperative endeavor agreement in its financial report please include the disclosure in the second text box below.**

**None. This schedule is not applicable to LSU Foundation.**

System Note 25. Amounts Held in Custody for Others - Component Units

Shown is the template used FY 11. Please update as necessary for your Foundation for FY 12 (or year ending 12/31/11)

Entity	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Center Foundation	LSUHSC Shreveport Foundation	Total
LSU at Alexandria Foundation	14,475,301				14,475,301
LSU at Eunice Foundation	1,943,293				1,943,293
State matching funds	80,141,227				80,141,227
Split-interest agreements	2,585,938				2,585,938
Tiger Athletic Foundation	8,832,404				8,832,404
Coaches escrow accounts / affiliated chapters	0				0
LSU Athletic Department	0				0
Building tenant security deposits	0				0
Total temporarily restricted	<u>\$107,978,163</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$107,978,163</u>

\*As of December 31, 2011